

## **General Fund**

### **2002 Adopted Budget**

#### **Purpose:**

One of four major budget categories, the general fund is the principal financial support for such basic city services as the police and fire departments, parks and recreation, and libraries. The major financing sources for this fund are property taxes, local government aid, franchise fees, and other revenues not dedicated to a specific purpose. The tables and graphs on the following pages detail the spending and financing plan proposed for this fund in 2002.

#### **Financing Highlights:**

The major financing sources for this fund are:

- C Property taxes - 24.3%
- C State aids (including local government aid) - 45.4%
- C Franchise fees - 10.0%
- C Other revenues, aids, and user fees - 20.3%

Over the past eight years, the city property tax levy has been kept equal to or less than the levy of the prior year, so other revenues, aids and user fees have financed a slightly larger portion of the general fund budget. In 1994, property taxes contributed 32.4 percent of the budget and other revenues supplied 12.2 percent. State aids, at about 45 percent and franchise fees at 10 percent, have stayed fairly consistent with respect to their level of general fund financing. Major sources for the growth in other revenues have been interest earnings, fine revenues, paramedic fees, and the use of fund balances.

**Property Tax Relief:** This budget continues the practice of using a planned portion of the fund balance for property tax relief. In 1994, the mayor and city council initiated a tax policy to keep Saint Paul affordable. Property tax revenues for city government have been held constant, or have been reduced, in each of the last seven years. The 2002 levy proposal will continue that trend for an eighth year. Saint Paul property taxes for city government have not been increased since 1993.

**Fund Balance:** The planned use of fund balance for the 2002 operating budget increases from the 2001 level. Dollars from the fund balance that have been designated for property tax relief again have been applied to finance this budget and avoid an increase to the city's property tax. The city's actual use of fund balance, however, has been very much less than the planned use. Fund balance has been used as an actual budget financing source in only 1999.

**Local Government Aid (LGA):** For 2002, the State of Minnesota's LGA to Saint Paul is 2.5% higher than 2001. Also, for 2002 and beyond, by action of the 2001 state legislature, HACA aid has been rolled into, and has become a part of Saint Paul's LGA. The moderate but steady growth of this revenue stream enables Saint Paul to control the growth of property taxes while it maintains a high level of community services.

**City Franchise Fees:** The expected financing level will change in 2002, with the estimate based on 2001 current collections.

**General Fund Interest Earnings:** Interest estimates are projected to decrease from 2001 to 2002 based on assumptions of investment balances and interest rates, and holding to an interest cap for the sewer service fund continued from 2001 in 2002.

**Spending Highlights:**

**Rate of Growth:** General fund budgets, while continuing to grow in recent years, are running below the rate of inflation. To keep expenditures and revenues in balance, the city will continue to restrict spending in 2001 and 2002. Economists for the State of Minnesota estimate that state spending will grow by 3.3 percent from 2000 to 2001 and 2.8 percent from 2001 to 2002. Saint Paul's general fund budget grew by 2.5 percent from 2000 to 2001 and 4.7 percent from 2001 to 2002.

**Wage Increases:** Salaries and benefits are the most significant cost of the city's operating budgets. The base budget was increased for the anticipated growth in 2002 for salaries and fringes related to the bargaining process.

**Citizen Service Office:** Included in the adopted budget is the elimination of a position which is currently vacant. The duties of the position are being provided by another department within the city. Also included is the transfer of funding to Technology and Management Services (TMS) for an Information Services (IS) position for the AMANDA system.

**City Attorney:** In the mayor's proposed budget, a position serving city attorney computer needs was shifted to IS in the TMS department. The budget continues funding for an additional criminal attorney position. Most changes were supported by revenue increases, including additional prosecution surcharge revenue, grant revenue and a transfer from the city attorney outside services fund. The city council added funding for the salaries, supplies and equipment for an additional legal assistant to support the criminal division, and for attorney merit increases.

**Fire Department:** The mayor's proposed budget maintained the same staffing level as 2001. The budget made cuts in miscellaneous expenditures, and shifted \$60,000 spending for capital outlay to special funds. Total paramedic fee financing estimates were increased by \$799,000 over 2001. This assumed an increase in the transportation charge, from \$748 to \$823, and added a new mileage charge of \$11 per mile. These increases will be the first in three years and are competitive with other regional providers.

Revenue projections also include funds resulting from the Revenue Recapture Act, which allows the city to recover uncollected paramedic revenues back to 1995.

**Human Resources:** The budget reflects the loss of \$252,933 in revenue from Independent School District 625. The spending authority associated with the loss of 2.3 FTEs, whose work was related to services provided to the school district, was cut from the budget.

**Libraries:** The adopted budget provides funding for the increased operating costs associated with the new and expanded Rice Street Library and the reopening of the Central Library, expanding service hours over 2001.

**Parks and Recreation:** The overall general fund operations have remained the same for Parks and Recreation with a few notable exceptions. Part of the Rice-Arlington sports dome budget was placed into contingency, with the understanding that the dome will not be raised in the fall of 2002. The Harriet Island operations budget was transferred to the general fund in an effort to consolidate all park-related budgets into one. Town Square has been eliminated from the budget in recognition of the closing of the park.

**Police Department:** The proposed budget allows for full funding of regular salaries and fringes for 578 sworn personnel in 2002. However, the budget for overtime is less than the amount requested by police management. The budget maintains the level of permanent sworn personnel from 2001, and relies on some temporary funding to set the sworn complement to 578 FTEs in 2002, by applying one or two year funding from federal (Internet Crimes Against Children, School Resource grant), and state (Gang Strike Force, Juvenile Accountability, State Incentive) sources. The total department FTEs rose from 731.9 in 1997, to 746.1 in 1998, to 752.4 in 1999, to 775.0 in 2000, to 777.9 in 2001 and to 781.6 in 2002, including the temporary sworn increase. The 2002 budget continues the process of keeping recent increases in police officer strength, done from 1995 through 1997. This is made possible by replacing those lost federal and state dollars with city general fund financing and other sources.

The officers added in 1995 and 1996 are now completely funded through the general fund, and the officers added in 1997 are funded with local sources and partially funded through the general fund. The police general fund budget contains no reductions from the 2001 adopted budget level, and has been increased for salaries, fringes, utilities, motor fuel and dispatching communication services.

**Planning and Economic Development:** The Neighborhood Crime Prevention Program budget has been transferred to the general government accounts to more accurately reflect the general, nondepartmental nature of this city program.

**Public Works Department:** Budgets were adjusted for the increased consumption and cost of electricity, and for salary and fringe increases not directly charged to the general fund. The growth in the number of street lights and traffic signals will continue the need to increase the electricity appropriation.

#### **Issues:**

**City Tax Base:** The 2001 state legislature made significant changes to the Minnesota property tax system. Foremost was a change moving the general education tax levy from the local property tax to state financing. Class rate changes and treatment of commercial and industrial properties will affect who pays how much property taxes in Saint Paul. Overall, the market values of all classes of property in Saint Paul are showing increases above inflation. Again, the state legislature continued limiting the market value growth of residential property in the entire state. Over 95 percent of the homes in Saint Paul have their market values limited to state-prescribed 8.5 percent annual growth. The limitation will phase out over a time period that mitigates large impacts on residential property.

**State Aid:** State aid is a significant revenue source for the city's general fund. Almost 50 percent of the general revenue comes from this source and the annual growth in local government aid (LGA) is a key factor in the city's ability to keep its levy at a zero increase again this year. Effects on the economy of the state are felt in income and sales taxes, a primary source of financing to the state, and a principle means of support for local government aid. If the state's economy does not do well, the local government aid to Saint Paul could be

affected.

**Fund Balance Reserves:** The growth in fund balance that the city experienced over the past few years may have peaked in 1998. There was a reduction in fund balance in 1999 and a moderate growth in 2000. Due to the timing of financial reporting, actual fund balance information is always two years behind the budget plan approved in December. Although the Office of Financial Services has put in place a consistent system for estimating future fund balances, those estimates are based on a number of assumptions that may or may not occur.

Each year for the past three years the amounts planned to be taken from fund balance to finance the annual budget have become larger. Some discipline and control is required—or, some time in the 2000s, the city may find itself faced again with the same fiscal problems of the early 1980s and 1990s when the reserves were nearly depleted.

#### **Challenges:**

Discussions at the state legislature about the needs of developed central cities and first-ring suburbs need to be intensified. Funding and expenditures for services should be examined with a regional, rather than municipal or county perspective.

The costs the city bears as an employer (wages, benefits, workers' compensation, etc.) compete for service delivery dollars. The city must continue to find ways to prudently and responsibly manage these costs in order to maintain service delivery levels and maintain the integrity of the city's finances.

Saint Paul has done that. Through a combination of managed spending, prudent use of fund balance reserves and modest growth in other revenues, it has been able to avoid a property tax increase for eight years. The next reform of the property tax system should be done in a way that rewards efforts like those of Saint Paul. Changes in state aid or other proposals aimed at property tax reform must consider the effect they will have on the first class cities to manage the service needs and expectations of their local residents and statewide users of those services.

# General Fund Budget

General Fund Balances (Revenues & Sources and Expenditures & Uses of Funds)					
	1998 Actual	1999 Actual	2000 Actual	2001 Adopted Budget	2002 Adopted Budget
Beginning Balances	48,239,755	49,393,354	43,225,277	45,598,034	39,740,291
Revenues and Sources					
Transfers In	6,195,920	5,932,936	6,253,893	6,738,188	6,535,846
Property Taxes	43,451,716	44,158,262	43,728,131	42,700,851	42,757,224
Other Taxes	877,989	793,710	1,224,407	1,103,856	1,084,256
Licenses and Permits	766,155	761,291	824,253	820,117	830,159
Intergovernmental	80,246,785	78,341,653	79,359,462	81,089,717	83,633,167
Fees, Sales and Services	8,656,670	9,303,951	9,107,707	8,737,780	9,238,239
Franchise Fees	15,115,816	15,441,543	16,303,980	16,426,045	17,516,184
Interest Earned:					
On Investments	3,910,890	4,634,960	3,959,219	3,600,000	2,916,274
On Securities Lending Transactions - (a)	3,667,809	9,265,127	8,801,847	75,000	75,000
Inc (Dec) in Fair Market Value of Investments	206,510	(3,776,116)	2,613,431		
Miscellaneous	<u>713,311</u>	<u>725,086</u>	<u>657,456</u>	<u>565,505</u>	<u>702,630</u>
Total	163,809,571	165,582,403	172,833,786	161,857,059	165,288,979
Expenditures and Uses (b)					
Attorney	3,810,781	3,791,414	4,022,978	4,303,896	4,663,502
Citizen Services	966,670	3,057,644	3,001,553	3,402,501	3,315,637
Council	1,931,693	1,945,675	1,998,241	2,084,553	2,175,054
Fire and Safety Services	39,069,516	35,452,496	35,666,116	36,707,200	38,454,578
General Government Accounts - Miscellaneous	9,365,836	15,062,710	15,065,026	7,439,470	7,691,674
Health	0	0	0	0	0
Libraries	9,402,542	9,836,874	10,163,541	10,526,039	11,151,280
Executive Administration - (c)	8,065,616	7,946,837	7,671,422	7,986,479	8,140,632
Parks & Recreation	23,997,242	21,490,397	23,000,202	23,046,403	23,706,260
Planning and Economic Development	1,735,696	5,904,727	2,127,786	1,269,729	1,152,435
Police	48,508,897	49,853,726	51,350,931	53,537,719	56,730,700
Public Works	9,409,822	9,399,817	9,616,837	9,932,704	10,228,318
Technology and Management Services - (d)	6,619,878	8,014,190	6,776,879	7,478,109	8,268,003
Fringe Benefits - (e)	0	0	0	0	0
Interest on Securities Lending Transactions - (a)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total (d)	162,884,189	171,756,507	170,461,512	167,714,802	175,678,073
Ending Balance					
Reserved	6,887,512	6,387,976	5,535,984	5,750,000	5,900,000
Designated	40,868,707	35,623,982	38,057,799	31,850,000	21,750,000
Undesignated	<u>1,637,135</u>	<u>1,213,139</u>	<u>2,004,251</u>	<u>2,140,291</u>	<u>1,701,197</u>
Total (f)	49,393,354	43,225,277	45,598,034	39,740,291	29,351,197

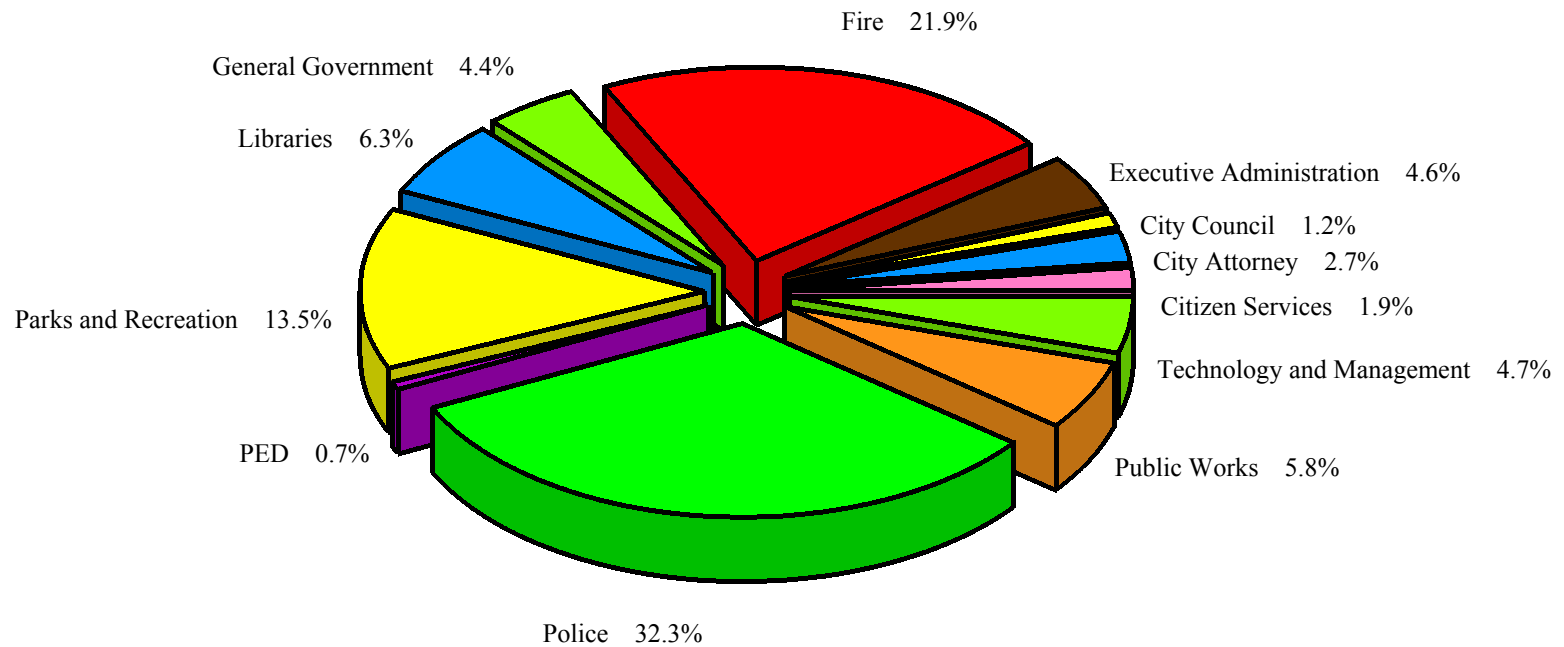
- a) The 2002 adopted financing and spending budgets for Securities Lending Transactions will be amended when the actual amounts are known and available.
- b) For 1998 - 2002, no adjustments have been made to the historic expenditures & uses data to reflect any movement of organizational units among and between departments.
- c) Executive Administration includes: Affirmative Action, Financial Services, Housing Information, Human Resources, Human Rights, Labor Relations, License Inspection and Environmental Protection, and Mayor's Office.
- d) The 2001 and 2002 Budget columns on this page do not include "Advances to Other Funds" and "Petty Cash Advances". For 2002, these advances, \$56, can be added to the total expenditures and uses shown here, \$175,678,073, to reconcile to the Adopted Budget, \$175,678,129.
- e) Prior to 1996, fringe benefits were recorded centrally, and after that they were recorded as amounts in the departments.
- f) Based on the 1998 - 2000 experience, the actual ending total balance for 2001 - 2002 will be greater than the listed budget ending total balance.

## General Fund Budget

General Fund Spending (By Department)			
Department/Office	2000 Actual	2001 Adopted Budget	2002 Adopted Budget
Affirmative Action	251,159	278,239	279,137
Attorney	4,022,978	4,303,896	4,663,502
Citizen Services	3,001,553	3,402,501	3,315,637
Council	1,998,241	2,084,553	2,175,054
Financial Services	1,552,200	1,623,560	1,646,873
Fire and Safety Services	35,666,116	36,707,200	38,454,578
General Government Accounts	15,065,026	7,439,470	7,691,674
StP-RC Health	0	0	0
Housing Information	0	0	0
Human Resources	2,281,184	2,239,008	2,195,075
Human Rights	724,456	845,290	912,186
Labor Relations	354,296	399,652	427,675
Libraries	10,163,541	10,526,039	11,151,280
License, Inspection, and Environmental Protection	1,277,277	1,306,702	1,343,642
Mayor	1,230,850	1,294,028	1,336,044
Parks and Recreation	23,000,202	23,046,403	23,706,260
Planning and Economic Development	2,127,786	1,269,729	1,152,435
Police	51,350,931	53,537,719	56,730,700
Public Works	9,616,837	9,932,704	10,228,318
Technology and Management Services	6,776,879	7,478,165	8,268,059
Total	170,461,512	167,714,858	175,678,129

# General Fund Budget

## 2002 Spending By Department



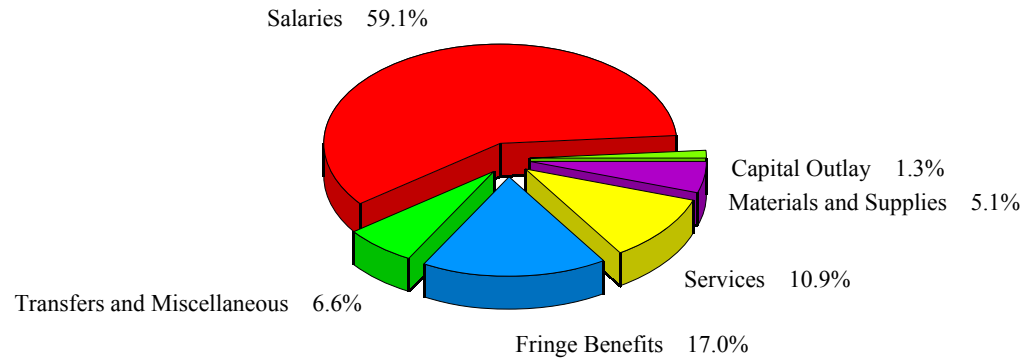
## General Fund Budget

General Fund Spending (By Major Object)			
Object	2000 Actual	2001 Adopted Budget	2002 Adopted Budget
Salaries	95,451,838	99,157,087	103,851,824
Services	16,963,098	17,907,133	19,195,215
Materials and Supplies	9,516,831	8,214,898	8,887,938
Fringe Benefits	26,656,318	26,927,313	29,858,054
Transfers and Miscellaneous	11,192,302	12,517,345	11,614,551
Debt Service	8,633,536		
Street, Sewer, Bridge Improvement	0		
Capital Outlay	<u>2,047,589</u>	<u>2,991,082</u>	<u>2,270,547</u>
Total	170,461,512	167,714,858	175,678,129

General Fund Financing (Revenue By Source)			
Source	2000 Actual	2001 Adopted Budget	2002 Adopted Budget
Use of or (Contribution to) Fund Balance	0	5,857,799	10,389,150
Transfers	6,253,893	6,738,188	6,535,846
Taxes	44,952,538	43,804,707	43,841,480
Licenses and Permits	824,253	820,117	830,159
Intergovernmental Revenue	79,359,462	81,089,717	83,633,167
Fees, Sales and Services	9,107,707	8,737,780	9,238,239
Enterprise and Utility Revenues	16,303,980	16,750,745	17,968,609
Other Revenue Sources	<u>16,031,953</u>	<u>3,915,805</u>	<u>3,241,479</u>
Total	172,833,786	167,714,858	175,678,129

# General Fund Budget

## 2002 Spending By Major Object



## 2002 Revenue By Source

